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The changing structural dynamics of the Scottish tourism industry examined using Stafford Beer's VSM

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ABSTRACT

The structure of the Scottish tourism industry underwent a significant change upon the demise of the Area Tourist Board (ATB) on the 1st April 2005. The membership based ATB provided a means for engagement between institutional policy makers and private sector businesses. This engagement appears to have dissolved with the replacement structure being ineffective in bridging between the two parties.

The aim of this paper is to examine the structural dynamics of the Scottish tourism industry focusing upon events that rotate around the demise of the Area Tourist Board (ATB) and attempt to explain why there has been an apparent breakdown in engagement. The material is drawn from interviews with industry participants and also primary documentary sources, many of which are available online. The analysis is conducted using Stafford Beer's Viable System Model (VSM).

The findings highlight the current incoherent structure at the level of the 'Area'. Upon the demise of the ATB, Area Tourism Partnerships (ATPs) were set up, not to replace ATBs, but to provide a mechanism to serve Area needs. However, the demise of the ATB created a vacuum for an effective mechanism to deal with individual practitioner issues. This has led to the formation of groups but at the level of the locality. These local tourism groups are autonomous and analytically viable. The ATP is inadequate to bridge the gap between VisitScotland and these local groups. Whilst direct engagement between VisitScotland and these local groups has been enabled with the Challenge Fund, the conditions attached to an award compromise the autonomy of the groups. However, two ATPs have proposed the need for membership based groups to operate at the Area level. This suggests the return to a pseudo-ATB style structure.

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INTRODUCTION

Effective engagement between public and private sectors should, in principle, lead to harmonisation between policy and practice. The reality is that this is not necessarily the case. Indeed the Scottish tourism industry appears to be characterised by tensions between public sector policy makers (e.g. VisitScotland) and private sector businesses. Indeed, the declining numbers of serviced accommodation providers using the online services of VisitScotland suggests that this situation appears to be getting worse (Harwood, 2007).

A clearer insight into this possible tension is provided in a Scottish Parliamentary Committee report¹ published in July 2008. This presented the findings from a tourism inquiry launched in November 2007. The diversity of views held about the institutional state of Scottish tourism are revealed in one specific statement

“Views from the business community on the current public sector institutional framework are mixed”

However, the source of tension is revealed in the citation of the Federation of Small Business (FSB) in Scotland's statement; that it is

“essential that VisitScotland and the enterprise networks focus more strongly on fully engaging with small businesses, rather than treating them as a mass market, and develop much better communication processes to ensure that the small business voice is taken into account”.

The significance of this statement is that a majority of businesses within Scottish tourism are small businesses. Indeed, the FSB had further stated² that

“Small businesses feel they are no longer a part of a movement working towards a common vision of growing and improving tourism in Scotland”.

The Committee's report also stated

“In short, the feeling that the national tourism board no longer supports the marketing of localities within Scotland as much as in the past through the then area tourist boards has meant the private sector and/or local public sector bodies (e.g. local authorities) have seen the need to step into the gap”

The Committee concluded that

“The Committee believes that there has already been sufficient public sector restructuring in tourism and that a period of stability is needed now... We suggest that the recent move to localised marketing partnerships such as destination marketing organisations (DMOs) is symptomatic of a need for VisitScotland to improve its industry engagement”

However, concern was not only raised about the public – private sector relationship, but also about intra-public sector relationships and the *“on occasion, in-fighting between public bodies”*.

Two issues are raised: structural change and dis-engagement.

The Scottish tourism industry has experienced a series of structural changes since the inception of the tourism public sector agency Scottish Tourist Board (latterly VisitScotland) in 1969 (Harwood, 2008). The most recent structural change took place on the 1st April 2008, with a reduction in the number of regions from 14 to six. Over time, the net effect has been

“increasing centralisation of public sector institutional decision-making and simultaneously increasing private sector localisation, this characterised by the emergence of many local tourism groups” (Harwood, 2008).

Dis-engagement appears to be a symptom of these structural changes, manifesting as declining use of VisitScotland's services by serviced accommodation providers and the establishing of autonomous local tourism groups,

One significant event which possibly exacerbated this was the dissolution of the Area Tourist Boards (ATBs) in 2005. ATBs were local membership based organisations responsible for both developing and promoting tourism within the locality as well as representing the views of the locality nationally. Structurally they provided a direct interface between their members [practitioners] and the public sector [Scottish Tourist Board (STB)/VisitScotland and Local Authorities (LA)]. Upon their demise, they were replaced by Area Tourism Partnerships (ATPs) and also by the unexpected formation of autonomous local tourism groups. ATPs were intended to develop, implement and review area tourism plans and act as a lobbying body for the area (VisitScotland, 2004³). The emergence of this latter group prompts the

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question of why have they emerged. Further, can engagement be improved within the replacement structure to that offered by the ATB?

The aim of this paper is to explore these more recent developments and examine the implications, including the reasons why local tourism groups feel there is a need to establish themselves. It draws upon published official sources, media accounts and interviews with members of local groups. This forms part of an in-depth study of the exploitation of online technologies by Scottish serviced accommodation providers. It was during interviews with accommodation providers that the existence of local tourism groups was revealed. Further investigation revealed that many groups existed, with some existing for decades (e.g. HolidayMull was formed in 1977), whilst others were very recent (e.g. VisitArran was launched in May 2007). Indeed, the Shetland Tourism Association was explicitly formed upon the announcement of the demise of the ATB⁴.

The remainder of the paper is organised in four parts. The first part introduces the methodological framework. The second part outlines developments following the demise of the ATBs. The third part presents first impressions of the situation based upon the offerings. This is followed by a deeper analysis, based upon the events and guided by use of Stafford Beer's Viable System Model (VSM). The paper concludes with final thoughts about the findings.

This is one of two papers. Whilst this paper examines the structural dynamics of the post-ATB era, the second examines the issues raised in the evidence submitted to the Scottish Parliamentary ATB review which spanned 2002 to 2004 and resulted in the decision to dissolve the ATBs (Harwood, 2009). The issues raised within the 322 submissions presents an insight into the concerns of tourism stakeholders regarding the organisation of tourism at the 'area' level.

METHODOLOGICAL FRAMEWORK

This analysis is based, primarily upon an analysis of documentary sources, many of which have been available online. However, it also draws upon interviews with many tourism practitioners in both the public and private sectors over the period 2005 to 2008. This includes interviews with committee members of a number of local tourism groups located on the islands around Scottish, who may have a slightly different perspective to their mainland counterparts.

Analytical Framework

The conceptualisation of the dynamics of the Scottish tourism industry offers the challenge of how to analyse the regulatory effectiveness of the institutions and organisations that constitute the industry be evaluated. This focuses attention upon the relations between the different stakeholders. Whilst it is possible to describe these relations, is it possible to assess the 'structural integrity' (Harnden, 1989) of these relations? Structure is not viewed as an inflexible set of relations between entities, but as enduring but adaptive over time. This becomes more complex when the geographical dimension is added.

One framework which offers assistance is Stafford Beer's Viable System Model (VSM) (Beer, 1966, 1972, 1975, 1979, 1981, 1984, 1985; Espejo & Harnden, 1989). A 'viable system', as proposed by Beer, is perhaps best defined as

"any organism or organisation that is capable of maintaining its identity independently of other such organisms within a shared environment" (p14, 1985).

The key words are "*independent identity*". Identity is a property ascribed by an observer. Thus, a viable system is an independent entity or organisation that is both self-recognisable and recognisable by others. It can be purposeful (purpose implicit - it exists) or purposive (purpose explicit - it is configured). The VSM allows the regulatory nature of purposive systems to be examined. It views an organisation as a viable system, comprised of embedded sub-systems, but also embedded within a meta-system. It is recursive, thereby allowing the relations between different systems at different levels to be examined and hence allows the distribution of regulation to be examined. It examines the roles and interactions of the different stakeholders. It allows the viability-sustainability of the system-of-interest to be evaluated. It has attracted criticism (e.g. Ulrich, 1981; Flood & Jackson, 1988). One specific criticism is that it views organisations in a mechanistic or functionalist manner. Nevertheless, functions or mechanisms characterise regulatory systems.

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The VSM is grounded in the domain of Cybernetics, established by Norbert Wiener⁵ in the mid-1900s. However, the VSM is specific to the functioning of social systems, though has been applied to the behaviour of the purposeful system of bee colony (Foss, 1989). Beer (1984) asserts that the VSM “*generates considerable power to describe and predict, diagnose and prescribe*”, a view promoted in the provocative title of Beer's book “Diagnosing the System for Organisations” (1985) and reinforced on the second page:

“This book will tell you how to design an organisational structure – and HOW TO DIAGNOSE a faulty one”.

The power is generated because the “*VSM sets out to give a necessary and sufficient account of the laws of any viable system*” (Beer, 1989). Indeed, Beer (1989) then points out that “*if the VSM language is used loosely and merely descriptively, then of course the power is lost*”. These may be bold assertions but the value of the model is that, whilst it is open to refutation or criticism, it provides an analytical framework which guides a systematic and systemic analysis of any social system and thereby avoids rambling. More importantly, it provides a diagnostic tool that allows discussion about the symptoms of dysfunction and thereby reveal possibilities for structural adjustment and stabilisation. Furthermore, it guides the exploration of possibilities about social organisation of a ‘formal’ manner, e.g. legal organisational entities.

Its diagrammatical representation (Figure Error! **Main Document Only.**) complements its textual description. Each Viable System comprises five systems. The core transformation (system one) identifies the purpose of the system. However, if it is to minimise the production of unacceptable outcomes system one is regulated by systems two – five. System two co-ordinates activity within system one. Systems three and three* together ‘control’ the transformation. System three transfers edicts from higher regulatory levels to system one. It also negotiates (resource bargaining) what is to be achieved, the resources to be used and how this is to be rewarded (or penalised). This implies a measuring mechanism to ensure that outcomes are being achieved (continuous), but also a monitoring mechanism to ensure that system one is doing things as they should be (sporadic) – system three*. In other words, three* is for sporadic examinations, whilst routine monitoring is a system three resource bargaining function. Further, system one exists within a changing ‘outside’. System four monitors these changes and together with system three adapt the Viable System to align it with the changes. Closure to this configuration is provided by system five. It has a panoramic view of all that is going on and provides direction. Each Viable System has its own identity, purpose and degree of autonomy. Each Viable System is “structurally coupled” (Maturana & Varela, 1988) with its local (niche) environment.

This very simplistic overview of the VSM may uphold the view that it is a mechanistic model. However, it disguises that its application is to organised social systems in which people act and interact. People are agents, not in the sense conveyed by Actor-Network-Theory (Callon, 1986), but in a manner that recognises that they can choose how to act. People willingly take part in organisational activities; they subject themselves to rules and they labour to achieve targets. However, if people are important to an organisation, then it implies that, rather than viewing people in an autocratic and Fordist manner, then people need to be given the opportunity to be involved in decision-making about what is done. The value of this lies in their creativity and thereby their capability to respond to or anticipate disturbances. This results, not in isomorphic organisations, but in organisations that ‘standardise’ their practices in a manner that complies with the necessities of conducting efficient dealings, yet can cope with the vagaries of the customer. This defines the uniqueness of organisations. The model lends itself to understanding the organisation of ‘democratic’ circumstances. At the same time, people are not necessarily altruistic, but may serve their own interests above those of others. This should be revealed in an analysis and manifest as dysfunction, such as structural disequilibrium.

The recursive nature of the VSM provides a device to examine the relations between entities operating at different levels (e.g. government, industry, regional and locality). An exemplar of this is that experienced by Stafford Beer. Beer's application of the VSM in Chile under President Allende's governance provides some poignant insights into issues that may be encountered in organisations. Beer was invited in 1971 “to design a regulatory system for the social economy of the country” (Beer, 1994). The system itself is described in Beer (1975, 1989) and the experience (project CYBERSYN, 1971-73) in the second edition of “Brain of the Firm” (Beer, 1982). Espejo (1990) who played a leading role in the project provides his own insight. There are other accounts of the events in Chile (e.g. Debray, 1973; anon, for the Federation of American Scientists, 2004). Likewise, they have been the subject of academic discussion, (e.g. Ulrich,

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1981; Jackson, 1988). The project came to an abrupt end with a military coup on the 11th September 1973.

The downfall in Chile exposes the 'political' motivations of those who disagreed with a democratically elected government, rather than the implementational consequences of the VSM. This reveals the model's weakness in that it can tacitly assume an application in a consensual domain; it espouses local autonomy as well as overall cohesion. Nevertheless, in principle it could be used to uphold autocracy, with emphasis upon mechanisms of control. This was not the case in Chile and the VSM was not used in the dictatorial regime installed after the coup. Nevertheless, the politics within the context in which the VSM is used, introduces methodological issues about its use and how stakeholders are involved in discussions about possibilities for action, whether in diagnostic or design mode. The VSM does not guide the manner of the discussions. It does not inform how 'differences of opinion' are handled within the organisational entities. It does not prevent exploitation of the insights provided. However, the VSM offers a 'boundary object' (Star, 1989) to focus attention upon creative discussions about organisational possibilities.

However, the VSM is presented here in an analytical mode, It offers one interpretation of the structural dynamics of the Scottish tourism industry. The VSM guides how the structure of the tourism industry is conceived, tacitly prompting questions about issues and how everything fits together. The absent discussions are left to another occasion.

KEY EVENTS IN SCOTTISH TOURISM 2004-2008

The institutional intervention and support of local tourism activity has changed over time and, in doing so, could be argued to have turned full circle, with fragmented local collective efforts formally coalescing over time into increasingly larger membership based units, before being disbanded in 2005, and the return to the preceding fragmented state, but this time with a centralised institutional presence⁶.

Background

Local efforts to promote Scottish localities have a long tradition dating as far back as the late 19th century, this rooted in the competition between the Scottish holiday resorts (Durie, p131 2003). However, these local tourism associations tended to be "*haphazard and uncoordinated enterprise, dependent on both the largesse of their council and of those operators locally who participated actively in promoting their area's products*" (Kerr, p119, 2003). More recently, the Local Government and Planning (Scotland) Act 1982 explicitly sanctioned the formation of local tourism organisations. This led to the formation of 36 voluntary local tourism groups⁷.

On the 1st April 1996, these were reduced to 14 as a result of the Local Government etc. (Scotland) Act 1994. This Act provided for the setting up of the new Area Tourist Boards, effective from the 1st April 1996. Their funding was meant to be funded equally by the local authority, the STB and membership fees. In reality, the STB was the major funder. VisitScotland Annual Reports for 2001-2 and 2002-3 revealed that funding for the Area Tourist Boards comprised of a Local Authority core grant (28%), VisitScotland aid grant (~11%), Membership fees (~8%) and 'other' (mainly commercial trading in TIC's - (~26%)). The authority to fund tourism development projects, previously undertaken by the STB, was transferred to the local enterprise agencies, who had to increasingly fund tourism developments in their own area. In order to prevent duplication by the local enterprises agencies, it was to be overseen by a group that included the STB, though whether this was really taken seriously and achieved much, is open to debate⁸.

2002-4 ATB Review

On the 27th May 2002, Mike Watson, Minister for Tourism, launched a review of the Area Tourist Boards. Earlier industry reviews had raised concerns about the integration and funding of the ATBs. This ATB review was described as "*crucial*" to the Scottish tourism industry and involved a consultation period that was to last three months (Scottish Executive, 2002⁹).

On the 11th March 2004, following a protracted 22 month Scottish Parliamentary review of the ATBs, the outcome was announced by Frank McAveety, Minister for Tourism. The announcement included the statement:

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"We have decided that this should be done by replacing the ATBs with an integrated VisitScotland network. This Scotland-wide network will consist of local tourism hubs and will have responsibility for the delivery of the national tourism strategy in its area. But the hubs will also have the ability to respond to circumstances in their areas, and will link with the growing number of private sector tourism action groups across Scotland. Unlike the ATBs, the new VisitScotland tourism network will not be a membership organisation, but will charge for all services to tourism businesses, as indeed VisitScotland does at present for membership of its QA scheme....

....we propose that the system of local authority grants to ATBs should be replaced by service level agreements which each local authority would negotiate with VisitScotland for the tourism services they require in their areas. This will enable authorities to see exactly what they are receiving for their money" (McAveety, 2004¹⁰)

The hubs were to be up and running by April 2005, with a further year allowed for improvement.

Implementation

The announcement marked the launch of a project to provide an integrated tourism network throughout Scotland. VisitScotland's publication of the "Tourism Network Implementation Framework Document" (3rd November 2004¹¹) outlined the proposed structure integrating the new structure to replace the ATBs. It highlighted the importance of partnership with stakeholders (i.e. local authorities, 'industry led organisations, Enterprise Networks, visitscotland.com and EventScotland) and also the development of Area Tourism Partnership Plans. The importance of these plans is revealed in the statement:

"Area Tourism Strategies have proved to be a valuable way of taking national tourism strategy forward in a local context and developing tourism plans to co-ordinate public and private sector activity. Building on this approach through Area Tourism Partnership Plans will be a priority for the network and will form a constituent part of the VisitScotland Business Plan. These plans will be central to how we manage partnerships with the private and public sectors and will be developed by Tourism Partnerships in each area"

Not only would the regional tourism plans align with the national tourism strategy but they should shape the VisitScotland business plan and hence its role, a role which had already been defined years before to include the provision of "*leadership and direction for the development of Scottish tourism...*" through "*continual interaction and collaboration with those who have a vested interest*" in the industry (VisitScotland, 2003¹²). However, there was no indication of how individual businesses would participate in strategy development. This would be through representatives.

"The network will undertake to liaise on a regular basis with industry representative bodies"

This liaison appears to assume adequate representation of all tourism businesses.

An additional initiative, not mentioned in McAveety's announcement but presented in this document¹³, was the 'Challenge Fund'. This was a grant provided to groups comprising 3 or more collaborating businesses to "encourage and support well researched, collaborative marketing activities", though one of the criteria for award was that it "*complement national and area marketing strategies and show direct links with the national Product Portfolio*"¹⁴. It was launched on the Friday 19th November 2004.

The ATBs were disbanded on the 1st April 2005 and replaced by two 'network ATBs' covering the north and south of Scotland respectively. Whilst legally separate entities, they operated as part of VisitScotland. However, this was to be only a temporary measure, with the intention being to integrate these network ATBs into a single entity VisitScotland. A public consultation about the proposed change ("Tourism is Everyone's Business") was launched on the 5th September 2005. The legislation (Tourist Boards (Scotland) Bill) approving the proposal was introduced on the 20th March 2006.

In March 2006 a "*refreshed national tourism strategy*"¹⁵ was published: "Scottish Tourism: the next decade – a tourism framework for change"¹⁶. It was

*"the result of real collaboration with the private sector throughout 2005"*¹⁷

It identified what needed to be done to sustain the growth of Scottish tourism in what is shifting market and presented targets which included a national target of 50% revenue growth by 2015. The institutional view of how to engage with local businesses and secure buy-in to the strategy was that this would be through the ATPs:

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"...suggested that the route for outlining the roles of VisitScotland and the industry should be the Area Tourism Partnerships. Their Partnership Plans should outline clearly how their areas will work towards the ambition of 50% growth"

(VisitScotland Board meeting minutes, 26th June 2006¹⁸)

The growth target of the revised national strategy was to be translated and embedded in the ATP Plans in terms of contributory actions.

2007: Institutional Reorganisation

On the 26th September 2007, in statement to the Scottish Parliament, John Swinney (Cabinet Secretary for Finance and Sustainable Growth) announced the reorganisation of the Scottish Enterprise Networks with implications for the organisation of the tourism areas:

"To further promote integration with the tourism sector, VisitScotland will align its own areas around the six enterprise networks regions. It will continue to look at new mechanisms to improve its engagement with the industry at a local level".

This resulted in the consolidation of VisitScotland's 14 areas into six areas and highlights the expectation for improved local engagement. The corresponding restructuring of VisitScotland led to the formation of four new Directorates. One was named 'Business Engagement'. The new structure took effect on the 1st April 2008.

ISSUES OF IMPLEMENTATION - FIRST IMPRESSIONS

Although this is merely a sketch of events, it suggests a considered approach to the restructuring of Scottish tourism to ensure public sector engagement with the industry. The restructured VisitScotland would provide services to both Local Authorities and individual businesses as required. The ATPs would provide the bridge between the national tourism strategy, itself the outcome of industry engagement, and local activities through the ATP action plan, which would also shape the VisitScotland business plan and thereby, VisitScotland's role. The ATPs were described¹⁹ as being industry driven with no formula to their composition, aims or agendas. Instead, each had its own approach and issues of concern, these reflecting the needs of the locality served. At a local level, collaborative marketing initiatives would receive financial support through VisitScotland's Challenge Fund.

ATPs and their operationalisation

Indeed there is evidence that this has been happening. VisitScotland's Corporate Plan for 2006-9²⁰ reports that 17 ATPs had been set up, which covered all of Scotland²¹. The minutes²² of the "Argyll, Loch Lomond & Forth Valley Tourism Partnership" meeting on the 28th November 2006 reveals that the size of ATPs varied between 7 and 35 members and that their total composition consisted of 75 representatives from Local Authorities, 63 representatives from other organisations e.g. LECs, VisitScotland, and 112 industry representatives, comprising less than half the total ATP membership. However, there is the issue of the appointment of representatives and their authority to speak on behalf of the industry, particularly in view of the number of businesses involved in tourism. It is estimated that there were around 6,500 serviced accommodation providers in 2005 (Harwood, 2007). This raises the issue of the authority of any spokesperson to speak on behalf of a locality's constituents.

An insight into the functioning of an ATP is revealed from the minutes of the Dumfries and Galloway (D&G) ATP meetings. Elections had been held in 2005 for the initial membership, though there was no information about this and how names were nominated (D&G, 16th May 2006)²³. The same minutes reveal that nominations for a replacement self-catering representative would be sought from "*all Quality Assured business... from this sector*". However, upon resignation of the hotel representative, the minutes for the 31st January 2007²⁴ reveals that one name is nominated by a committee member, whilst another "*has indicated his willingness to replace...*". The decision is made by the committee "*on the basis of the individual strengths which those individuals could bring to the partnership*". Further provision is made to co-opt people on this basis. The 3rd October 2007 minutes²⁵ report that "*confidentiality statements*" had been signed by the ATP members and that "*confidential discussion will in future be minutes separately*". The Borders ATP minutes²⁶ for the 10th October 2007 reveal that the replacement for a member who resigned was to be sought from "*all trade from that category*". It also revealed that nominations for the hotel representative would be sought from "*all hotels [i.e. include those not registered with VisitScotland] and this would encourage other businesses to get involved*".

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The ability of an ATP to function and to produce an ATP Plan in alignment with the national strategy was illustrated in the VisitScotland 2005-6 Annual Review, with the showcase of the Outer Hebrides Area Tourism Partnership:

"...the Outer Hebrides Area Tourism Partnership aims to grow tourism value by 50% by 2015. Its Area Tourism Action Plan was developed in consultation with over 370 registered tourism businesses in the islands, and without assistance from external consultants. The aim was to give the Partnership real ownership and to keep the plan 'straightforward, relevant and realistic'. The Partnership is seeking to '... maximise the benefits of tourism for the economy and people of the Outer Hebrides'" (p29)

Whilst this suggests that local businesses have been enrolled, it also implies that only registered businesses would be able to participate in this process. This indicates that those businesses not registered with VisitScotland are excluded, which raises the issue of exclusion. The Outer Hebrides, had 80% of its 163 serviced accommodation properties identified in 2005, as registered. However, it was estimated that around 35% of all serviced accommodation providers were not registered in 2005, and that there were indications that there was a drop in the number of providers using their services (Harwood, 2007). This raises the question of the effectiveness of this new network structure to bridge between the national tourism strategy and local activity.

Although the Outer Hebrides ATP had produced a plan, a visit to the VisitScotland trade website (www.visitscotland.org) at the end of December 2008, revealed 18 ATPs covering Scotland, of which, four had not appeared to have finalised/agreed their strategies, despite a deadline of the 30th September 2006²⁷. Further, only eight ATPs presented their minutes online. Is this inconstant online presence an administrative issue or symptomatic of ATP dysfunction? The available minutes of ATP meeting reveal much activity. However, they also reveal concerns about how they function.

The Edinburgh and Lothians ATP minutes²⁸ for the meeting on the 5th September 2008 that

"It was generally agreed that the partnership worked well as an information exchange and had worked well on projects such as... However it was noted that it was difficult to do more given that the partnership has no money".

The ATP was relatively powerless. This view was similarly expressed in the Highland ATP, 6th June 2008 minutes²⁹. Whilst

"there is value in bringing together public and trade... the Partnership has no "teeth" or real channels of communication with the industry. Businesses do not have the same feeling of belonging as they had with ATBs"

Further, the issue of engagement is raised. In a similar vein, the issue of representation on the ATP is raised in the minutes³⁰ for the meeting of the Perthshire ATP on the 10th July 2008. It was

"felt that it would be beneficial if there was wider representation.. representatives from each of the 8 local tourism associations ... Or if 8 additional people would be too many.. To agree to having clear geographical membership with an additional 3-4 representatives".

The Fife Tourism Alliance (FTA) minutes³¹ for the 29th October 2008 report *"there was a shared frustration that FTA failed to fill the shoes of KOFTB [Kingdom of Fife Tourist Board], however it was also noted that the FTA is more of a co-ordination body".* Indeed the need was suggested for a *"more dynamic group..."* and *"that the group move towards membership. It was felt the FTA had succeeded in bringing key players together and in developing a strategy for the area".* The Dumfries and Galloway (D&G) ATP April 2008 minutes³² reinforces this view stating the need to *"develop a more effective trade destination organisation"*. It proposed a

"new industry led organisation, membership based, non-profit making" and a "democratic organisation – with reps from all sectors, inclusive to all businesses related to tourism".

It would engage in the marketing of D&G. Its *"executive committee would become trade part of ATP"*. The most poignant statement about the status of ATPs was expressed in the minutes of the Ayrshire & Arran ATP minutes³³ for the 22nd April 2008

"All felt that it was important to have some way for all industry to meet and discuss items and work together.... but they were not necessarily sure that continuing with the ATP was best way to do it"

The minutes³⁴ of several ATPs revealed that a national ATP review was underway in the latter part of 2008 and would identify best practices, with the findings expected to be announced early in 2009.

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Local Funding Issues

The old ATB regime had experienced funding difficulties. However, this does not appear to have been alleviated. The minutes for the VisitScotland Board meeting on the 2nd December 2005 reported:

"There are one or two authorities with no significant tourism products that have been slightly ambivalent, while Moray Council has taken the decision not to engage with VisitScotland. In addition, East Lothian Council has reduced its funding by £100,000"

The value of tourism varies from locality to locality with implications for the manner in which Local Authorities now choose to buy VisitScotland's services. Further, the effect of disassociating Local Authorities from tourism activities through the dissolution of the ATBs, has enabled them to reduce their financial contribution to these activities. The budgeted income from Local Authorities for 2007/8 was £6.2m³⁵ (£8.3m provided to the ATBs in 2003/4³⁶) against a backdrop of pressure upon Local Authority resources³⁷. During 2006, concern about funding cuts was raised by the VisitScotland Chief Executive with the Minister for Tourism³⁸. However, no additional government funds were available. VisitScotland's view was recorded in meeting minutes³⁹. It was *"agreed that a firm position needs to be adopted in these cases... if other local authorities begin to reduce funding similar cuts should be made"*. In other words, *"local authority funding cuts should be addressed with appropriate cuts in activity"*; that it would match Local Authority cuts with an equivalent reduction in its spend at the local level, impacting the funds available locally for tourism.

Unexpected developments - the Proliferation of Destination Management Organisations (DMOs)

Whilst institutional effort was being expended to shape the structure of the industry and establish a mechanism to improve integration and engagement, at the local level, businesses were organising themselves. One example was reported in the Scotsman newspaper; a disgruntled group of tourism businesses launched the Borders Tourist Board (www.borderstouristboard.com) on the 7th June 2007, to provide cost-effective marketing for members and to promote the locality⁴⁰. The Scotsman quotes the vice-chairman, Jeff Slater,

"We are dissatisfied with the services provided by VisitScotland and particularly VisitScotland.com. Only a few years ago we would have been members of the Scottish Borders Tourist Board - now we are treated as an income source and nothing else by VisitScotland and its commercial partner, VisitScotland.com... We are not alone in this view, there being similar groups in operation in Dumfries & Galloway, Angus, Braemar, Aviemore, Caithness & Sutherland and Orkney"

The setting up of local groups was acknowledged by VisitScotland. Indeed their concern about the proliferation of local Destination Management / Marketing Organisations (DMOs) is revealed in the VisitScotland Board meeting minutes for the 22nd September 2006⁴¹

"The Chief Executive recognised the concerns about the proliferation of DMOs, particularly given that they might lead to a diluting of the marketing effort"

Summation

The restructuring of the Scottish tourism industry through the demise of the ATBs has created a dysfunctional structure, which appears to be re-establishing itself through an internal local dynamic independent of centralised institutions. This dynamic is operating at a local level and has given rise to the formation of local autonomous tourism groups. Indeed, the increasing centralisation of public sector decision making and increasing private sector localisation over time has been presented elsewhere (Harwood, 2008). It is significant that the ATPs, the newly formed legitimate tourism entity for each region, appear to recognise their own weaknesses, which include effective engagement with the industry and the power to effect change. Indeed, several ATPs recognise the need to re-establish regional membership based organisations. Despite the apparent coherence of the rationale of the new structure it has not provided the anticipated bridge between both the national tourism strategy and the activities of VisitScotland and the practitioners within the industry. A number of reasons have already been presented in the preceding narrative to explain specific events. However, these are perhaps symptoms of the underlying dynamic operating. It would be desirable to get an insight into this underlying dynamic to understand what is happening within Scottish tourism and the challenges faced in re-establishing stability. The following analysis using the VSM attempts to examine this underlying dynamic.

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ISSUES OF IMPLEMENTATION –ANALYSIS

Scottish tourism can be viewed from a variety of perspectives. Nationally, it is an economically significant industry with its own Minister. As an industry, it comprises a variety of subsectors (e.g. accommodation, travel, retail). It is geographically distributed covering most if not all locations throughout Scotland. From a regulatory perspective tourism can be organised both geographically and by subsector. One of the distinguishing features of tourism is the operational inter-dependence of the different sub-sectors within geographic locations. The geographical location forms the logical regulatory unit whether at a local, regional or national level. In theory, a national tourism strategy cascades through each level to be operationalised or implemented.

The geographical organisational entities pre-and post ATB demise are presented in Figure **Error! Main Document Only.** The ATB dealt with both local and regional issues and, as a membership based organisation comprising participant businesses, acted as the representative voice for its members in its engagements with VisitScotland. VisitScotland is the dedicated government body for Scottish tourism, with its role succinctly summarized in the “VisitScotland Management Statement / Financial Memorandum” (2008)⁴². However, its activities and performance are the ultimate responsibility of the Scottish Ministers, in particular, the Minister for Tourism.

The ATP assumes responsibility for the regional tourism strategy with its members representing the local public and private sector interests. However, this representation is open to question. Further, the local Tourism Action Group is an autonomous body without obligation to the ATB or VisitScotland.

There are other bodies not to be overlooked such as the Scottish Government's tourism unit, Local Authorities, Scottish Enterprise, Highlands & Islands Enterprise and the Scottish Tourism Forum, its members comprising both tourism businesses and trade organisations (e.g. Association of Scotland's Self Caterers). Nevertheless, the main actors interfacing between the public and private sectors geographically have been the ATB and the ATP. However, the simple structure in which the ATB operated had another regulatory layer introduced and thereby greater distance between the centralised institutions and local practitioners.

An analysis of the regulatory character of the different geographical entities is presented in Figure **Error! Main Document Only.** The variety inherent within the industry prevents its full annotation, with only the most possibly significant features being presented. Three recursive levels are of interest here: Industry, Area (region) and Locality. Within the locality is a fourth level; the tourism business is itself a viable system delivering the tourism product. Whilst affected by the conditions created at the other levels, whether favourable or not, it will get on with its day-to-day business to preserve itself. The concern here is with the nature of these conditions. The following analysis will initially provide a view of the industry as a whole before proceeding to examine the two levels that are of specific interest here i.e. the Area and the Locality.

The Scottish Tourism Industry

At the level of the industry, direction is provided by the Minister for Tourism through the vehicle of the VisitScotland Board and expressed in the latest national tourism strategy “*Scottish Tourism: the next decade*” and also the “VisitScotland Management Statement / Financial Memorandum” (2008)⁴³. The strategy, which defines what is to be done and sets targets, is espoused to be the result of “*real collaboration with the private sector throughout 2005*”⁴⁴. The model reveals that ‘real’ collaboration has to effectively penetrate the different levels. In 2005, VisitScotland and the ATBs were in transition. The Scottish Tourism Forum in its co-ordinatory position is the enabling mechanism for this collaboration, through its contact with the industry and its membership base, though this may not be all-inclusive. Indeed, one significant group of tourism product providers have weak ‘trade’ representation – smaller serviced accommodation providers (e.g. bed and breakfast establishments), with their voice through the ATB being silenced upon the ATB demise.

Consolidation of knowledge about the changing global market-place and the Scottish tourism industry's ability to respond, should ‘in principle’ take place within VisitScotland's R&D ‘function’. Historically this was the case until its restructuring and dispersion in 2005⁴⁵. The online customer interface, visitscotland.com, potentially provides a rich data source. Information gathering and analysis is

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supplemented by research institutions such as Glasgow Caledonian University's Moffat Centre, University of Strathclyde's Scottish Tourism Research Unit and Queen Margaret University. Further support is provided with the institutional initiative "Tourism Intelligence Scotland"⁴⁶, though this appears to be limited in its capability. Dissemination exploits online technologies through the trade website www.scotexchange.net.

Aside from the legislative requirements governing all businesses, (e.g. Health and Safety, Fire Regulations, Food Standards) there are no specific edicts. However, the Development of Tourism Act 1969, provides for the compulsory registration of accommodation providers which currently is dormant. VisitScotland's control over the industry is exercised through the Quality Assurance scheme, whereby tourism product providers are assessed and graded. However, it is not universally welcomed and whilst it has developed to encompass an increasing range of product providers, fewer serviced accommodation providers are engaging with it (Harwood, 2007). A very recent initiative is the "Growth Fund", which builds upon its predecessor the "Challenge Fund". This is an award, subject to conditions, to assist local groups of businesses to develop tourism in their locality. A further recent development is a "Destination Development Guide" to assist local groups of businesses to be more effective in how they develop tourism locally.

This cursory overview of the industry suggests that there is clear direction for the industry; though it is open to question whether this is the direction sought by the industry as a whole or of a few who take it upon themselves to speak on behalf of others. Further, in the absence of authority to compel activity, can VisitScotland, as the body with the potential to coalesce a heterogeneous and geographically distributed industry, engage with the industry and translate this direction into meaningful co-ordinated activity at a local level. This issue of engagement is revealed in the analysis of the 'lower' levels.

ATP Viability - Sustainability

The ATB played a key role in the organisation of tourism at the Area level until their demise. Their marketing and local visitor services activities were subsumed within the regional offices of VisitScotland. However, rather than the services offered being part of the former ATB member's package, these were made available on a merchandise base, which the region's constituents could purchase or leave. The consolidation of these regional offices in the 2008 consolidation of the Scottish Enterprise Networks perhaps did not change the situation other than increase their administrative coverage. However, the demise of the ATB created a vacuum with regard to a regional focus for the development of tourism. This included not only support to develop the local tourism product but also the loss of a strategic view of how this development would unfold. Also significant was the loss of a lobbying body on behalf of its members. For example, serviced accommodation providers, comprising mainly small businesses and brought together under the ATB umbrella, had no substitute dedicated 'strong' voice to speak on their behalf and no longer can be heard as a body⁴⁷.

The ATP, in part, assumed its predecessor's strategic role. Its core activity was to develop an 'Area Action Plan' which translated the national tourism strategy "*Scottish Tourism: the next decade*" into a set of prioritised actions for the Area. Although the ATPs were established by VisitScotland, VisitScotland withdrew from their operation, merely retaining a participant role in its capacity as a stakeholder alongside the other stakeholders. However, it is open to debate how much they influenced the development of the Plans to ensure alignment with the national strategy.

Whilst the development of an Area Plan was a key activity, its activities are less clear. The ATP had not been set up as an autonomous entity with local or regional responsibility, but as a committee that was comprised of different stakeholders, each with vested interests in tourism. Some members were present by virtue of their roles in organisations deemed necessary to be represented (e.g. local authorities and trade associations). This implies that other organisations have been excluded (e.g. local tourism groups). Other 'representative' members are voluntary and may be selected on their perceived contribution to the ATP (e.g. sector representatives). However, they need not have legitimate status to speak on behalf of those for whom they speak. The 'exclusive' nature of the membership raises the question of how the ATP engages with private sector tourism stakeholders - who may have had no say in the plan, particularly if it affects them. Indeed, in the example of the Outer Hebrides, it highlighted that businesses consulted were registered businesses, raising the question of disenfranchising businesses, particularly if they are

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significant local tourism product providers yet do not wish to associate with VisitScotland. This calls into question the value of the plan.

The capability of the ATP is further constrained by its lack of budget. For example, without resources it cannot itself audit the local tourism product and identify weaknesses. It does not have the funds to conduct locality specific market research. It functions on a 'good-will' basis, with proposals for action being subject to the co-operation of those who are to carry them out. Whilst this is disposed to actions that are carried out by Local Authorities, it may meet with inactivity by non-participant private sector stakeholders. The ATP provides a forum to allow the different public and private sector stakeholders to update each other about developments. Aside from the apparently 'one-off' development of an Area Plan, its role appears to be primarily co-ordinatory, with the potential of disbanding if attendance falls due to lack of perceived benefit.

That these limitations have been recognised by members of several ATPs is perhaps significant. Thus it is perhaps not surprising that two ATPs have proposed the need for membership based organisations, thereby resurrecting the old ATB style structure. This contrasts with the finding expressed in the Tourism Inquiry report⁴⁸ published in July 2008

"the Committee did not detect a groundswell of opinion towards further legislative changes for the tourism industry in Scotland. In particular, calls for the repeal of recent legislative changes such as the Tourist Boards (Scotland) Act 2006, which in part wound up VisitScotland's 14 area tourist boards were not paramount..."

Indeed the following comment from the report highlights the dilemma with the current situation.

"...The tourism agency was equally clear on the future role for local authorities and argued strongly that there should be no change from the position set out in the Local Government (Scotland) Act 1973, which prohibits local authorities from marketing their area for tourism purposes and from being involved in the booking and provision of information relating to accommodation. This is not a view shared by COSLA and most local authorities that gave evidence to the Committee."

Whilst the ATP position appears untenable, the creation of a viable membership based Area entity is compromised by constraints upon the involvement of local authorities and, by implication, its funding by local authorities. Nevertheless, both Glasgow and Edinburgh with the involvement of their respective city councils, have set up their own local marketing groups⁴⁹.

VisitScotland – Local Authority funding

Whilst the ATP assumes a strategic role, one of the key actors at the Area level is the Local Authority (LA). The importance of Local Authorities to tourism is not only through their provision of services and infrastructure, but in that they are also providers of tourism product (e.g. museums and leisure facilities). However, since the economic importance of tourism to a locality varies, the importance of tourism to a Local Authority will also vary. Thus its financial support of tourism varies and is discretionary in terms of amount committed.

The transition from financially supporting the former ATB to one of paying for services from VisitScotland is perhaps significant in that the former acted explicitly in the interests of the Area, the latter is a public sector organisation with responsibility for promotion of Scotland, the regions and the localities. Whether this is an excuse for Local Authorities to abdicate responsibility for tourism or whether it is due to internal conflicting funding demands within the Local Authority, the effect is a subsequent decline in Local Authority funding of tourism through the 'partnership agreement'. The funding issues experienced by the ATBs do not appear to have been resolved.

VisitScotland's only available response is to appeal to at a national level to the Scottish Government to intervene. However, funding of tourism by virtue of the partnership agreement is discretionary at the local level. This funding issue is symptomatic of the difficulty of creating a multi-stakeholder viable system at the Area level. Perhaps the ATB, with its membership base and representation of the respective public sector bodies on the ATB Board was the better option. That the D&G and Fife ATPs, following their several years of experience of operating at this level, have considered the setting up of membership based groups underpins this.

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At an Area level, tourism is characterised by lack of coherence and integration. The vacuum created upon the ATB demise is retained. It is at a more local level, that an old regulatory level re-appears, that had been consumed with the increasing consolidation over the years. Furthermore, this was driven by the private sector.

Local Tourism Group Insurgence

Whilst institutional effort was being expended to shape the structure of the industry and establish a mechanism to improve integration and engagement, at the local level, businesses were organising themselves into local autonomous tourism groups. Figure **Error! Main Document Only.** illustrates the regulatory structure of these groups. It is based upon the study of a number of local tourism groups. The diagram reveals a group's potential for viability.

Local tourism groups are set up as legal entities with their purpose being defined in a 'constitution'. The VSM informs that the purpose of the group is to serve the interests, in other words, the activities of its members. This purpose may be to promote the locality or to improve the visitor's experience of the locality, or perhaps both. A committee will oversee the management of the group, its members being elected from the general membership, if it a democratically run group. Likewise, the views of the general membership may be sought on policy matters before decisions are made.

These groups are revenue generating, with membership fees as a primary source of income. In return the group offers its members a package of benefits. Whilst this may be no more than a listing on a group's website, it also confers 'voice' in the running of the group. Membership enrolment is a priority as it provides the requisite funds to function, particularly to produce and maintain an online promotional presence. Members are sought from the locality, though there may be criteria (e.g. quality grading) which excludes some. Furthermore, the group may invite representatives from local public sector bodies in order to improve the co-ordination of all local activities, whether public or private sector.

A 'Treasurer' accounts for all financial transactions, which are governed by a code of what is acceptable expense. Indeed, this code of conduct underpins membership, which if broken can result in expulsion. However, it is not enough to exist in the present, which changes from day-to-day. Each 'season' is different, which emphasises the need to be able to adapt. This requires local knowledge, about local offerings and the 'visitor'. It may involve an audit of the local tourism product to assess the need for improvement. The longer term view may be translated into a business plan and tourism strategy.

It has already been stated that the purpose of these groups may be to promote the locality or to improve the visitor's experience of the locality. Indeed this, in the context of the 'proliferation' of these groups throughout Scotland has been the subject of institutional concern. VisitScotland's acknowledgement of the 'proliferation' of these local Destination Management / Marketing Organisations (DMOs) has raised a variety of issues.

An Issue of Purpose

A core feature of the institutional debate about local groups concerned their activity, whether it was promotion or development.

*"VisitScotland has confirmed its position with both Scottish Enterprise and Highlands and Islands Enterprise, namely that VisitScotland supports Destination Management Organisations but not marketing organisations"*⁵⁰.

Management Organisations (DMgOs) are institutionally supported, but Marketing Organisations (DMkOs) are not. The difference lies in whether the emphasis is upon destination management and thus upon the visitor's experience of the destination and how this is managed, i.e. product development, or whether attention focuses upon the destination's promotion⁵¹.

This emphatic distinction was iterated nearly two years later, in May 2008, by the VisitScotland CEO whilst presenting evidence to a Scottish Parliamentary Committee Review⁵². It was during this meeting that the CEO elaborates upon the "significant difference" between the two. Destination management is described as difficult because it involves businesses collaborating and evaluating each other:

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"Because it requires businesses to sit around, be very critical of each other... Destination management needs the group to make hard business decisions and I do not underestimate the difficulty..."

Thus, DMgOs tend not to work, with the outcome that they focus upon what they can collaborate on which is "a brochure". This is criticised:

"Such marketing is usually based on supply and not demand; it is based on what people want to sell rather than on what others want to buy... The basis of marketing has to be that people integrate with whatever else is going on in marketing and it has to come from the consumer point of view".

This negative criticism of what is made available in a locality can be further interpreted as denigrating local marketing expertise, to imply that locals ignore "the consumer point of view" and to suggest that there is a higher marketing authority to which locals should defer: "integrate with whatever else is going on in marketing". Further, it is asserted that DMOs "generally, they have not been cost effective", where DMO is taken, from the context of the discussion, to refer to marketing organisations.

An Issue of Definition and Control

The emphasis placed upon the distinction between marketing and management is not so clear cut in practice where there is often a blend. The VisitScotland minutes⁵³ for the 22nd September 2006 revealed that VisitScotland was working with the Enterprise Agencies to define and establish the responsibilities of DMOs. The importance of this was highlighted in the following month's minutes⁵⁴

"The Chairman asked how ATPs could be used to manage the growing number of Destination Management Organisations (DMOs). RG reported that greater clarity on DMOs is required before a strategy can be developed in terms of managing them. Scottish Enterprise is currently drafting a paper to define DMOs more clearly. Ultimately, the aim will be to tie DMOs into the ATPs. It was agreed that VisitScotland should seek to influence the Scottish Enterprise paper to ensure that DMOs did not transform into local marketing groups"

This suggests that VisitScotland is attempting to shape the concept of DMO as well as constrain the promotional nature of DMO activities. Furthermore, the intended management role of ATPs is that ATPs "manage" DMOs, though does this imply that they "manage" rogue DMOs? Underpinning this is the distinction between marketing and destination management and apprehension about local marketing practices.

However, this view of destination management appears to contrast with that of Carter & Fabricius (2007) Destination management is defined as "The co-ordinated management of all the elements [attractions, amenities, accessibility, image and price] that make up the destination". Destination management addresses:

"Marketing to get people to visit in the first place, Delivery of services on the ground to ensure that expectations are met at the destination [and] Ensuring a suitable environment (physical, social and economic) in which to develop tourism"

The Destination Management Organisation provides leadership and co-ordination. Carter & Fabricius (2007) examine different governance options involving the public and private sectors and reveals their relative strengths and weaknesses. Perhaps more importantly, their analysis highlights that there is not a simple formulae. Instead destination management is a multifaceted process which requires both private and public sector engagement in a manner befitting the situation.

An Issue of Prescription

The definition of a DMO suggests that it can be designed and implemented. VisitScotland's CEO reveals in his evidence to the Parliamentary Committee⁵⁵, that a booklet on Destination Management Organisations "in their purest form and as we understand them" was launched by the Minister for Tourism in November 2007⁵⁶. The rhetorical descriptor of "their purest form", invokes an idealistic notion of the perfect model of destination management.

The document, the "Destination Development Guide"⁵⁷, is based upon analysis of best international destination management practice. It presents a five step analytical approach identifying a wide variety of issues, including organisation and plan management, to be considered. The analysis provides the material with which a Destination Development Plan can be completed. The current status of the Guide and its support materials, which includes templates, is described as "the pilot for a practical tool for use by the

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Key Destinations in Scotland to develop more robustly towards becoming a Destination Management Organisation"⁵⁸. Underlying this approach is a plan specific and relevant to the locality. In a manner reminiscent of Crosby's "The Quality Management Maturity Grid" (Crosby, 1979), a five stage destination life-cycle model is presented, invoking that there are degrees of development before becoming a 'mature' destination.

An Issue of Legitimacy

Patricia Ferguson, in a parliamentary debate⁵⁹ on the Tourist Boards (Scotland) Bill in June 2006, reveals the political tone of local collaborative efforts in a discussion about why ADGAP, "*as the representative of a substantial local interest*" was denied a seat on the Scottish Borders tourism business forum when the forum's B&B representative resigned⁶⁰

"However, we need to be clear that ADGAP is not just an association of accommodation providers; it provides a rival website and booking service and is a commercial organisation that competes with visitscotland.com. I understand that ADGAP's application to the area tourism partnership was rejected not by VisitScotland, but by the entire partnership unanimously"

In explaining the issue of rejection, the point is made 'clear' that ADGAP is a competitor to visitscotland.com on the basis that it provided a booking service, which is incorrect.

Five months later, in Written Answers⁶¹, Patricia Ferguson publicly corrects her mistake, but iterates her point that ADGAP is a commercial organisation and by implication that it is in competition to visitscotland.com as mentioned in the preceding debate. However, in her apology she makes the point about ADGAP

"While the organisation does not levy a direct charge for advertising on its site, it does charge a membership fee that allows a 'free listing', so is a commercial organisation"

Many of the local groups examined, including those who have received Challenge Funding, raise funds through their membership fees. ADGAP was set up as a voluntary run not-for-profit organisation. However, the chairman of ADGAP is also the petitioner to the Scottish Parliament who raised the complaint about visitscotland.com and its website.

The notion is explicitly raised of competition between a local voluntary trade association and the national destination Management Organisation. This perhaps reveals one of the reasons why there is opposition to local destination marketing organisations – that they are not legitimate. Does this local 'competition' potentially undermine the revenue generating activities (e.g. the 'deposit' or booking charge) of visitscotland.com, an issue raised within the petition? Indeed, does a conflict of interest arise in VisitScotland, through the activities of visitscotland.com. Unlike the argument in which it is questioned whether the public sector should compete against the private sector, this is clearly one in which the public sector is attempting to discourage private sector competition.

An Issue of Involvement

An issue that appears to underpin much of the preceding debate is that of involvement. The ATB structure, despite its faults, as a membership organisation provided people with the opportunity to participate in the shaping of tourism within their locality, irrespective of whether the opportunity was taken up. The replacement of the services offered by the ATB, which included local promotion, by a centralised institutional service provider, has created a vacuum. In principle, the demise of the ATBs dissolved local collaborative mechanisms and former members became isolated from each other. In some localities, the immediate response was to re-establish a tourism organisation, e.g. Orkney Tourism Group. This notion of belonging to something has been institutionally recognised. The VisitScotland Board meeting minutes⁶² for the 23rd March 2007 records, in the context of improving business engagement, "*there is a real sense of a loss of belonging with the move away from membership*".

However, this message appears lost as evidenced in the comment by VisitScotland's CEO in his evidence to the Scottish Parliamentary Committee Review on the 7th May 2008⁶³

"we want businesses to come in with us, but not through membership or force. We do not want to be the only show in town; we want collective effort and to do the things that will bring that effort together"

The message this suggests is that 'yes, we want you on board, but you are joining us'.

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In another session on the 28th May to the same Committee⁶⁴, the Minister for Tourism highlighted the important of local activity

“Local partnerships must operate at a level below that at which VisitScotland operates—in other words, at the local level, where people have a passion for and understanding of the local area that it will never be possible for a central entity to emulate...”

This was in response to the Committee member's question about the possibility of local collaborative effort duplicating that of VisitScotland *“the flagship organisation for marketing Scotland”* (ibid). Indeed, later the Minister responds to a question about whether VisitScotland's effectiveness to market Scotland might be diluted by local collaborative effort of partnerships *“All they can do is to augment that effectiveness simply by increasing the texture...”* (ibid).

On the one hand there is institutional recognition of the need for involvement. There is both the desire at a local level to belong to something and the need centrally for local knowledge and participation. However, the message conveyed is that whilst local effort is welcome it should be compliant to the centralised body.

An Issue of Centralisation-Localisation

The emerging picture is one of increasing centralisation. The reduction from 32 ATBs to 14 ATBs consolidated the membership based organisations. The dissolution of the ATBs and transfer of their services to VisitScotland centralised these services. The recent consolidation of VisitScotland's 14 areas into six areas amplifies this perception of increased centralisation of VisitScotland from a local perspective. The local voice is lost within the noise of all the local voices trying to be heard within one of the new areas. Likewise, the promotion of local identity appears to be eroded.

This is exemplified in the recent events on Shetland, reported in the online Shetland Times during March and April 2008. Local concern had been expressed about the restructuring of the VisitScotland run tourist office in Lerwick and the shift of local tourism related decisions to the Scottish mainland. On the 6th June it reported that the Shetland Islands Council had decided to award

“a grant of £330,000 for a “destination marketing organisation”, with a service-level agreement to be drawn up with VisitScotland to keep the promotion of the isles under local control” (Riddell 2008).

It also noted the views of several members of Shetland Tourism Association

“that it was vital that the council takes control of its own destiny in marketing Shetland as an attractive place for tourists to visit”

Shetland Tourism Association itself had been established in response the dissolution of the ATBs in 2005 in order provide a membership based organisation to represent the interests of Shetland's tourism stakeholders⁶⁵, though VisitScotland did retain the right to promote Shetland through www.visitshetland.com.

The response to increased centralisation is the emergence of local autonomous groups or DMOs. However, the VisitScotland Board meeting minutes for the 22nd September 2006⁶⁶ highlights concern about their sustainability: *“that there are long term concerns about the longer term sustainability of DMOs”*. The implication is that these local groups are financially unsustainable. Promotional activity requires financial resources.

An Issue of VisitScotland Challenge – Growth Funding

VisitScotland's Challenge Fund has supported local marketing initiatives. Further to its launch in 2006 and the success of the first round of awards, there have been eight further rounds with the deadline for the ninth round being the 31st May 2007. Funding was available for up to 40% of total project costs as long as private sector funding amounted to a minimum of 25% of the total cost. A wide range of projects were supported including the promotion of local websites and website development, though website development costs were to be less than 50% of the *“total eligible project costs”*. However, projects not supported included those relating to websites with online booking facilities:

*“Booking engine development other than that through visitscotland.com
Promotional material featuring a website with on-line booking facilities other than visitscotland.com”*⁶⁷

The conditions relating to an award includes an acknowledgement requirement on all documents and promotional material. New websites were required to provide a link on their home page to the

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visitscotland.com home page. Enhancement of existing websites merely required the VisitScotland logo on the home page, though a link to visitscotland.com “*is strongly recommended*”⁶⁸. However, this requirement is not universally welcome.

The Blair Atholl Area Tourism Association, is reported in The Scotsman to have declined a Challenge Fund award because of opposition to visitscotland.com's charging system and the condition that a visitscotland.com link is incorporated on their website's home page

“TOURISM leaders in a Scottish town have refused an offer of funding from VisitScotland after the national agency insisted they give its accommodation service a free plug... James Rattray, secretary of the Blair Atholl Area Tourism Association, said: “We created a website in order to boost direct bookings for our hotels and tourism-related businesses. Why would we want to direct customers instead towards a national service that is often viewed in a negative light and which would take 10 per cent from every booking?” (October 2005, Jamieson 2005⁶⁹)

Contentious issues relating to VisitScotland's role as a booking agent, through the services of its franchisee visitscotland.com, are raised. Moreover, the issue of compliance is raised.

Both the VisitScotland's Challenge Fund and its successor the Growth Fund are to support destination marketing, but offer themselves as instruments to ensure compliance. Challenge Funding was awarded “*when we [VisitScotland?] believe that there is a good product to sell*”⁷⁰, suggesting VisitScotland sits in a judgement of what is ‘good’. Furthermore, the award is to those organisations that had aligned their activities with the national tourism strategy. However, the metaphor of “an instrument of compliance” is perhaps strong, since the opportunity is not taken up to enforce quality grading upon applicants or applicant's organisational members. This contrasts with the pre-Challenge Fund days when VisitScotland and its predecessors, the Scottish and Area Tourist Boards, provided financial assistance and required that organisational members were graded (e.g. HolidayMull⁷¹)

During the nine rounds, over 100 projects were supported and £1.35m was awarded⁷². The successor to the Challenge Fund is the VisitScotland Growth Fund, launched in July 2008.

Summation

The preceding analysis reveals a range of issues which include: authority of spokesperson, exclusion, Local Authority commitment, compliance, DMO proliferation, DMO definition and control, prescription, legitimacy, involvement, centralisation-localisation and financial support. These issues and their relations are diagrammatically presented in the model (Figure **Error! Main Document Only.**).

The top half of the diagram presents the top down institutional view. A national tourism strategy outlines the direction for tourism, which is implemented through the leadership of VisitScotland and its interaction – collaboration with tourism stakeholders. The model presents a centralised and apparently authoritarian institution. It has at its disposal four key instruments to achieve industry engagement, but in a compliant manner. However, the third instrument, the Destination Development Guide, is only at the pilot stage. The fourth instrument, the QA scheme, is perhaps relatively dormant, though could be awakened through the instigation of compulsory registration, provided for in the Development of Tourism Act 1969 but never enacted. The main mechanism for engagement is structural through the functioning of the ATP.

The bottom half of the diagram identifies serviced accommodation providers (circles) who, although dispersed, are situated somewhere in a locality defined perhaps physically, e.g. water, or administratively, e.g. Local Authority boundary. In some localities, providers together with other interested parties group together to establish autonomous DMOs. Participation within the DMO enables individual businesses to be involved in the shaping of their locality through the collective activities of the group. The Local Authority may express its commitment to tourism within the locality in terms of the money it allocates.

However this view is superficial. The analysis using the VSM reveals the integrity of the Scottish tourism industry at its different levels. At the levels of the industry and locality there *appears* to be regulatory coherence, though this is marred by poor connectivity with the local level. At the local level, tourism groups exhibit viability and sustainability. What may undermine coherence and the effective functioning of the regulatory elements are the vested interests of the different stakeholders. This may appear as ‘infighting’ between public sector bodies at the industry level. At the local level, personalities and opinions may clash creating division.

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It is at the level of the Area that dysfunction appears. Industry representation on the ATP is through a spokesperson, though the authority to speak on behalf of the industry is perhaps open to question. This raises the issue of the ATP's engagement with practitioners at a local level. ATP meeting minutes record recognised weaknesses of the ATP. Whatever the weaknesses of the former ATB structure, and despite the findings of the Parliamentary 2008 Tourism inquiry, it is perhaps unsurprising that several ATPs have proposed the need for a membership-based group at this intermediary level – a return to the former structure.

FINAL THOUGHTS

The institutional intervention and support of local tourism activity has changed over time and, in doing so, could be argued to have turned full circle, with fragmented local collective efforts formally coalescing over time into increasingly larger membership based units, before being disbanded in 2005, and the return to the preceding fragmented state, but this time with a centralised institutional presence. However, the cycle appears to be closing again with the proposal for the establishment of membership based Area tourism groups. The VSM helps to understand the dynamics involved within the Scottish tourism industry and why the ATP can be viewed as dysfunctional. Whilst the analysis using the VSM perhaps represents the views of members of several ATPs, it value to been to give substance as to why there is a problem and give support to the need for a revised structure.

ACRONYMS

ATB	Area Tourist Board
ATP	Area Tourism Partnership
D&G	Dumfries and Galloway
DMgO	Destination Management Organisation
DMkO	Destination Marketing Organisation
FSB	Federation of Small Business
HIE	Highlands & Islands Enterprise
LA	Local Authority
SE	Scottish Enterprise

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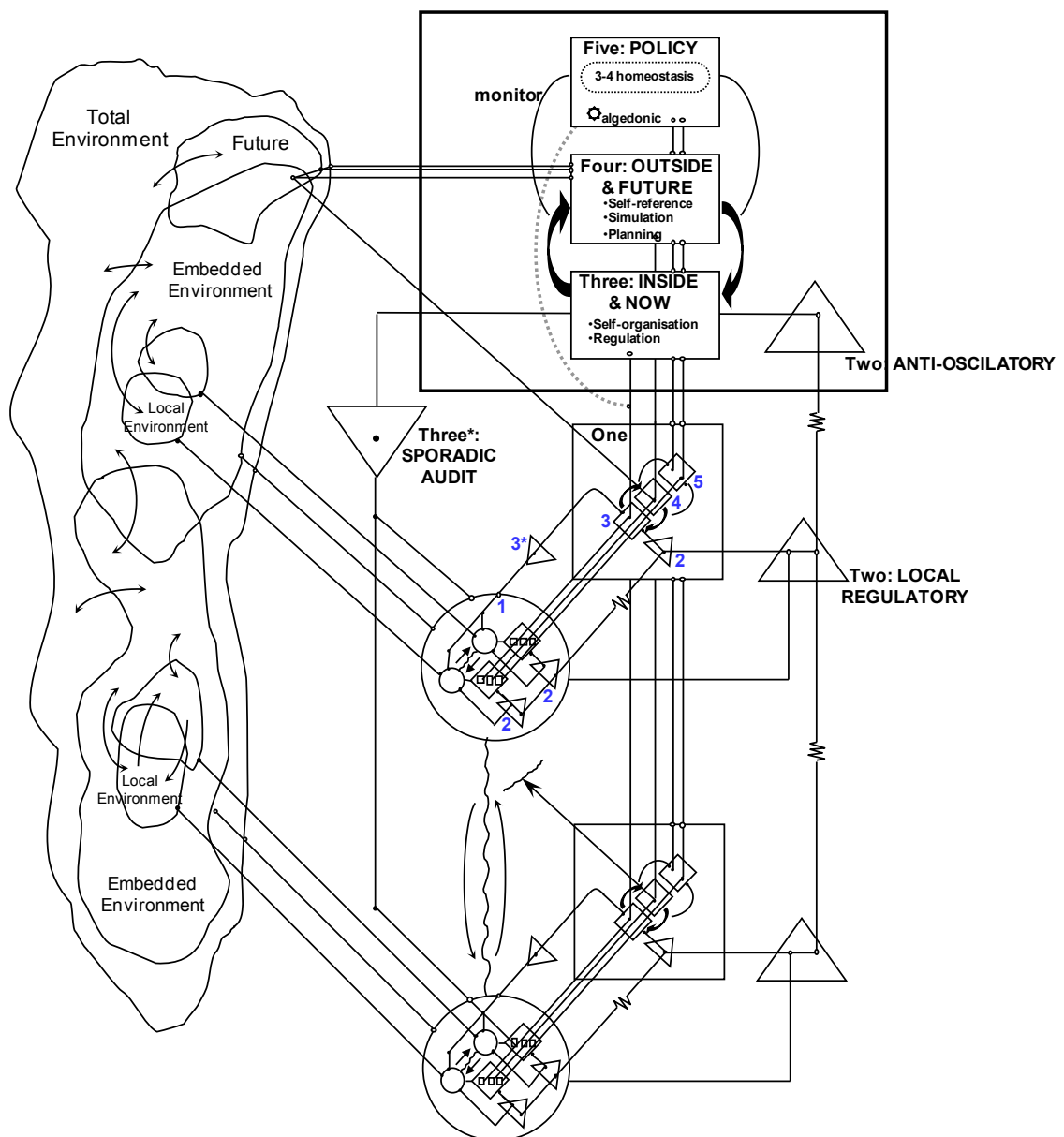


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1984)

The Viable System Model (adapted from S Beer,

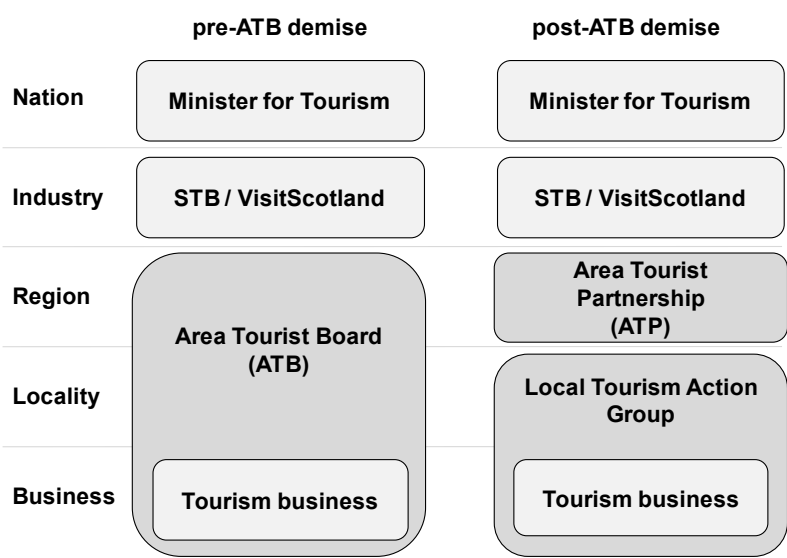


Figure Error! Main Document Only. The capacity for regulation and its handling: pre- and post- ATB demise

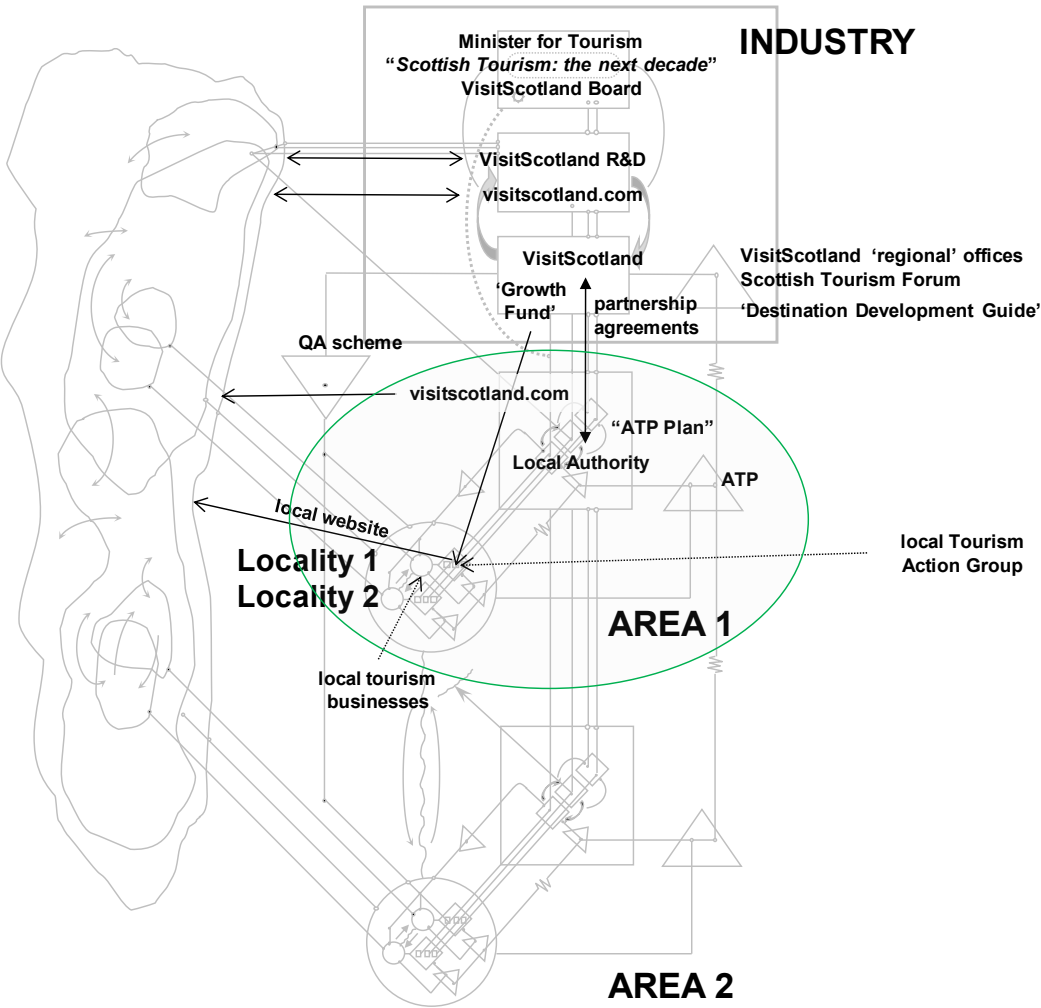


Figure Error! Main Document Only. The Regulatory Constitution of the Tourism Industry

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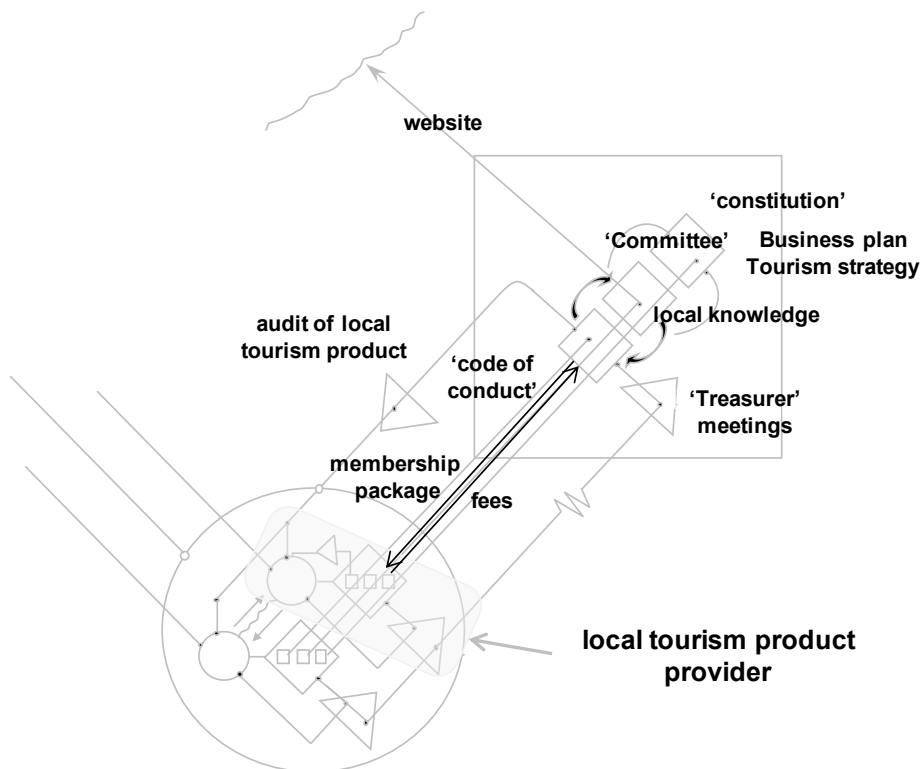
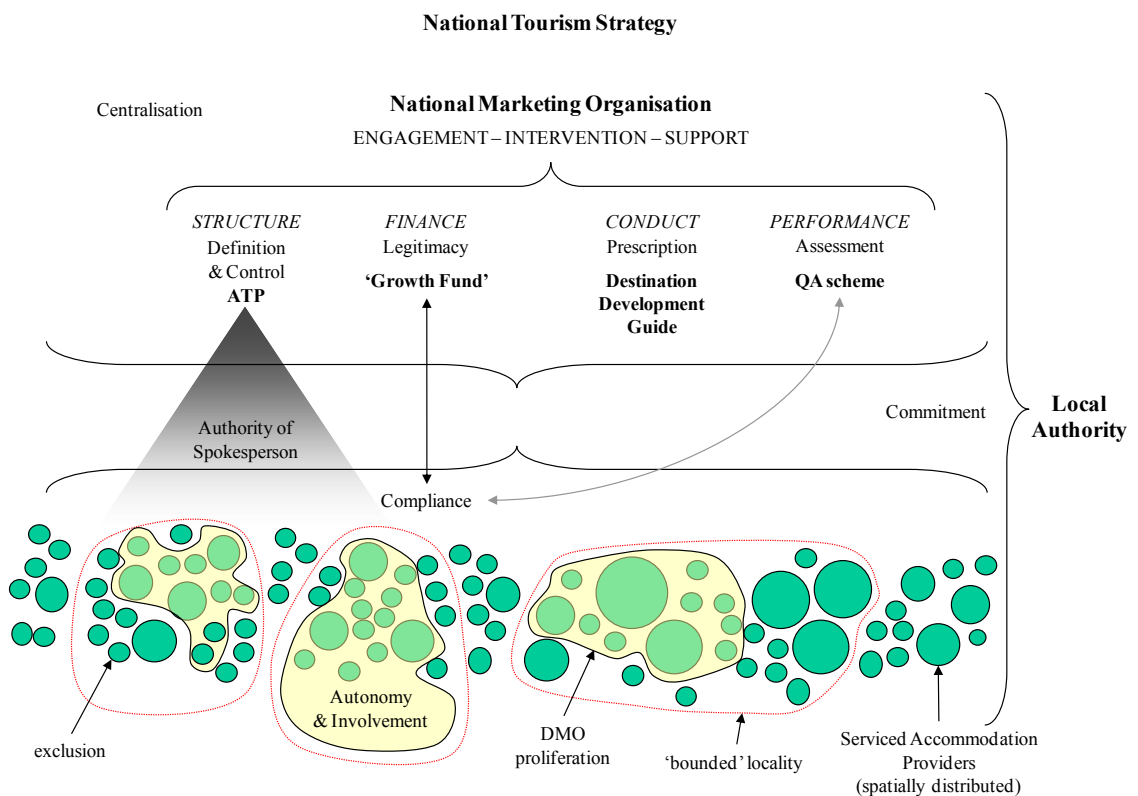


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The viability of the local Tourism Group



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centralisation and localisation**

Mapping issues raised in the interplay between